

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 20, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo/Felicity Wood

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	
Tax-exempt:	\$17,250,000

Project Information:	
Name:	Cornerstone Apartments
Project Address:	805-904 S. Minnie Street
Project City, County, Zip Code:	Santa Ana, Orange, 92701

Project Sponsor Information:	
Name:	Cornerstone Housing Partners LP (JHC - Cornerstone II, LLC)
Principals:	Michael Massie
Property Management Company:	John Stewart Company

Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	MUFG Union Bank, N.A.
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	January 18, 2019
TEFRA Adoption Date:	February 5, 2019

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	126
Manager's Units:	1 Restricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

Cornerstone Apartments is an existing project located in Santa Ana on an aggregate 3.2 acres. The project provides 126 restricted rental units, including one restricted manager unit, distributed as 120 one-bedroom units and 6 two-bedroom units. Building exterior renovations will include new roofs, new windows, siding and fascia repair, new handrails, seismic retrofit and fresh paint. Interior renovations will include upgrades to the manager's office. Apartment units will be updated with new kitchen appliances, countertops and cabinets, new bathroom vanities, plumbing fixtures, hot water heaters, flooring, window coverings, ceiling fans and fresh paint. Seven units will be renovated with visual and hearing upgrades. Site area renovations will include pavement and walkway repairs, ADA path-of-travel improvements and new signage. The rehabilitation is expected to begin in July 2019 and be completed in April 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
99% (125 units) restricted to 50% or less of area median income households.
1% (1 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will be receiving service amenity points for providing the services of a bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	33,806,442	
Estimated Hard Costs per Unit:	\$	51,103	(\$6,439,039 /126 units including mgr. unit)
Estimated per Unit Cost:	\$	268,305	(\$33,806,442 /126 units including mgr. unit)
Allocation per Unit:	\$	136,905	(\$17,250,000 /126 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$	136,905	(\$17,250,000 /126 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,250,000	\$ 8,509,000
LIH Tax Credit Equity	\$ 1,578,479	\$ 10,523,192
Deferred Developer Fee	\$ 0	\$ 2,158,857
Deferred Costs	\$ 2,362,570	\$ 0
Seller Carryback Loan	\$ 3,020,559	\$ 3,020,559
City of Santa Ana	\$ 8,632,441	\$ 8,632,441
Seller Credit	\$ 630,000	\$ 630,000
Replacement Reserves	\$ 235,861	\$ 235,861
Santa Ana CHDO	\$ 96,532	\$ 96,532
Total Sources	\$ 33,806,442	\$ 33,806,442

Uses of Funds:	
Land Cost/Acquisition	\$ 17,500,000
Rehabilitation	\$ 6,812,503
Relocation	\$ 150,000
Contractor Overhead & Profit	\$ 676,099
Architectural Fees	\$ 820,000
Survey and Engineering	\$ 505,000
Construction Interest and Fees	\$ 1,378,776
Permanent Financing	\$ 107,840
Legal Fees	\$ 200,000
Reserves	\$ 342,808
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 748,860
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 674,005
Developer Costs	\$ 3,880,551
Total Uses	\$ 33,806,442

Analyst Comments:

None

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

81.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$17,250,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	9
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	81.5